Cascades

MISSION

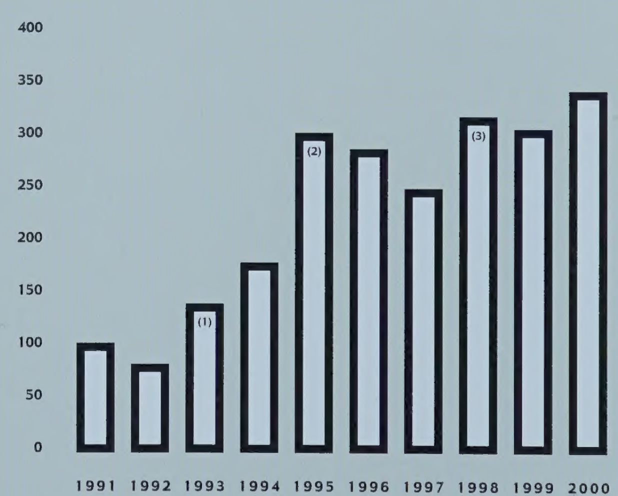
Cascades' mission: to be a leader in the manufacturing and sales of packaging products, value-added fine papers and tissue papers, made primarily from recycled fibre.

Recognized for its operational skills and turnaround expertise, Cascades Inc. is a leader in the production, converting and marketing of packaging products, specialty fine papers and tissue papers. Internationally, Cascades employs 12,396 people in 142 operating units in Canada, the United States, Mexico, France, England, Germany and Sweden. Cascades recycles more than two million tons of paper and board each year, thereby supplying most of its fibre requirements. Extensive recycling experience, leading-edge de-inking technology and sustained research and development are all distinctive strengths that enable Cascades to offer its customers innovative products with superior added value.

SALES — IN MILLIONS OF DOLLARS

14% compounded annual growth for 10 years

EBITDA — IN MILLIONS OF DOLLARS



12.5% compounded annual growth for 10 years

(1) Acquisition of Paperboard Industries Corporation and Rolland Inc. in December 1992

(2) Acquisition of Perkins Papers Ltd. in August 1995

(3) Creation of the joint venture Norampac Inc. on December 31, 1997

In the past decade, Cascades has almost quadrupled its sales volume and more than tripled its EBITDA. Three major acquisitions, a large-scale merger and capital expenditures of more than $1.2 billion have helped to fuel this remarkable growth. But beyond the expanded production capacity and steadily improving operating efficiency, Cascades' growth is equally due to the Company's ability to distinguish itself as a leader in its target markets through innovation in the area of product development and excellence in the area of customer service.

financial and stock market highlights

	2000	1999	variation (%)
FINANCIAL RESULTS For the years ended December 31 (in millions of dollars, except per share amounts and ratios)			
Net sales	2,866	2,615	10%
Earnings before interest, taxes, depreciation and amortization (EBITDA)	339	309	10%
Operating income	214	192	11%
Net earnings	75	58	29%
per common share	$1.12	$0.86	30%
Cash flow from operations	214	192	11%
per common share	$3.20	$2.87	11%
Capital expenditures	148	128	16%
Dividend per common share	$0.11	$0.10	10%
FINANCIAL POSITION As at December 31			
Total assets	2,637	2,436	8%
Total long-term debt	1,096	1,044	5%
Non-controlling interests	31	185	(83)%
Shareholders' equity	776	649	20%
per common share	$9.60	$9.70	(1)%
STOCK INFORMATION (CAS: TSE)			
Trading volume (in millions)	13.9	8.9	56%
High	$10.00	$10.25	
Low	$6.20	$7.50	
Stock price at closing	$6.85	$8.80	(22)%
Number of shares issued and outstanding (in millions)	80.9	66.9	21%
Market capitalization	554	589	(6)%
FINANCIAL RATIOS For the years ended December 31			
Return on Equity	11%	9%	
EBITDA / Net sales	12%	12%	
EBITDA / Financial expenses	3.7x	3.6x	
Net funded debt / EBITDA	3.5x	3.6x	
Net sales / Total assets	1.1x	1.1x	
Net funded debt / Total capitalization	53%	54%	
SHIPMENTS SUMMARY For the years ended December 31 (major products; in thousands of metric tons)			
Packaging products	1,361	1,328	2%
Fine papers	276	253	9%
Tissue papers	185	185	0%

02/ message to shareholders

Laurent Lemaire, President and Chief Executive Officer

At the turn of the new millennium, Cascades has reached another milestone in its development. Thanks to the financial restructuring completed in December 2000, we have created a vehicle for expansion better adapted to today's financial markets, with the ultimate goal of accelerating the growth of all of our business units and maximizing shareholder value. Today, we would like to extend a special welcome to the shareholders who have recently joined Cascades in a massive endorsement of this transaction that marks the beginning of a new era of growth for Cascades.


On December 31, 2000, Cascades acquired all the shares held by the minority shareholders of its publicly traded subsidiaries Paperboard Industries International Inc., Rolland Inc. and Perkins Papers Ltd., in exchange for common shares of Cascades Inc.
3
operating sectors
1
public entity:
Cascades Inc.
Superior potential for strategic expansion and creation of value for shareholders
Issue of 14 million common shares
- increased stock market liquidity
- better coverage by industry analysts
- greater access to the capital markets

After a long, carefully thoughout process, we decided to combine our subsidiaries Paperboard Industries International Inc., Rolland Inc. and Perkins Papers Ltd. into a single publicly-traded vehicle at the cost of significantly diluting the ownership interest of Cascades' founding shareholders. Although the former structure had served the Company well in the past, by allowing us to quickly establish leadership in our target markets, it became increasingly clear that it was impeding our expansion plans in the context of today's financial markets. The limited liquidity of the public subsidiaries combined with the holding company discount associated with the parent company not only affected all stocks and limited their potential to appreciate in value, but also restricted our capacity to raise new share capital to finance the Group's growth. With our industry now consolidating at an accelerated pace, thus creating unprecedented expansion opportunities for Cascades, steps had to be taken in order to fully benefit from all potential avenues of growth.

In addition to sustaining Cascades' financial strength and flexibility, acquisition of the minority interests in our public subsidiaries in exchange for common shares of Cascades was obviously the most sensible, equitable and beneficial solution for all shareholders.

Henceforth, the subsidiaries' former shareholders will see their initial investment grow within a world-wide group enjoying powerful financial, technological and human resources, and a leading position in high-growth sectors of the pulp and paper industry. For the benefit of all Cascades' shareholders, we have established conditions that will favour the Group's expansion and a better stock valuation by enabling our Company to gain its fair share of investor attention. With a simplified corporate structure and increased stock liquidity, Cascades' new profile is clearly more attractive to financial analysts and should translate into higher market multiples. In fact, now we expect to be fully recognized for what we are: an operating company, historically among the most stable and profitable in the industry; a company that has constantly delivered superior returns on shareholders' equity regardless of prevailing market conditions, thanks to its outstanding capabilities in managing its operations.

Increase sales by an average of 15% per year through internal development and acquisitions with high earning potential

Achieve a minimum net sales/assets ratio of more than 1:1

Objectives:

Attain and maintain a net funded debt/total capitalization ratio of less than 50%

We demonstrated this once again last year by recording one of the best performances of our history despite sharp increases in the cost of raw materials and energy. In fact, Cascades posted net earnings of $75 million or $1.12 per share on sales that topped the $3 billion mark. The Company achieved an 11% return on shareholders' equity, again surpassing the North American pulp and paper industry average. Our primary commitments for fiscal 2000 were to cut operating costs for the Group as a whole, strictly control capital expenditures and reduce our indebtedness.

We achieved these goals. In fact, our ongoing efforts to optimize and improve operations allowed us to set up Company-wide potential savings of $27 million, while investments in new capital assets were held to $148 million, helping to reduce the net funded debt /total capitalization ratio from 54% in 1999 to 53% in 2000. Consistent with our objectives, we also increased our market share in all three of our sectors: packaging products, fine papers and tissue papers. The last fiscal year was also marked by innovation and quality service, as a number of new value-added products were launched and long-term partnerships were established with several major customers.

We will continue in this vein in 2001 and beyond. We are optimistic about Cascades' performance in coming quarters, despite the economic slowdown and high energy costs. Growth opportunities abound in the North American packaging products market, where we play a leading role with our extensive product lines and modern, efficient manufacturing facilities. Norampac, for one, stands among the best performing companies in the North American containerboard industry in terms of operating margin, while it has not even started to reap the benefits of the investment program launched in 2000. Now that it has taken the lead in several promising market niches, our speciality products sector is expected to play an ever-increasing role as a generator of growth and profits for Cascades. For its part, our boxboard sector is on the road to recovery and has significantly strengthened its position both in the North American folding carton market and the European boxboard market. Our fine papers and tissue papers sectors are also expected to do well in 2001. The tissue papers sector, in particular, will benefit from the major investment program completed last year and the recent acquisition of Wyant Corporation, Canada's largest distributor of sanitation supplies.

Fiscal 2001 marks the beginning of a new era for Cascades. While maintaining the strategic pillars that have been the foundation of our success for nearly 40 years, we will make the most of our new corporate structure to achieve accelerated and profitable growth in our three operating sectors and to create value for our shareholders.

Through internal growth and strategic acquisitions, we aim to increase our sales by an average of 15% per year, doubling Cascades' size within the next five years. We will continue to expand our client base and build customer loyalty by emphasizing excellent service and the development of innovative value-added products. We will maximize all potential synergies within our organization in order to penetrate new markets and serve existing customers at a lower cost with an extended range of products. We will also be more active than ever in the search for strategic partnerships and large-scale acquisitions with strong earning potential and will capitalize on Cascades' proven ability to quickly optimize such investments. Our capital expenditures will be subject to the same rigour and discipline we have shown in the past, with the primary goal of improving our operations. True to our mission of being a "clean" producer, we will continue to develop the undeniable competitive advantage we gain from our status as a waste collection and recycling pioneer and leader in Canada. Finally, in order to support our expansion efforts, the development of our human resources will remain an absolute priority at Cascades. We will continue to channel our employees' strengths and energy towards operational excellence, innovation, quality and the entrepreneurial values that have driven Cascades' success from the start.

All things considered, in an industry with a bright future, Cascades is starting the new millennium better equipped than ever to take its place as a leading force in its target markets with a promising value for investors looking for superior growth and profitability in the pulp and paper sector.

Laurent Lemaire
President and Chief
Executive Officer

Bernard Lemaire
Chairman of the Board


Welcome
Cascades

Suzanne Blanchet, President and Chief Executive Officer, Perkins Papers Ltd.
Marc-André Dépin, Vice-President and Chief Operating Officer, Corrugated Products, Norampac Inc.

OUR COMMITMENT / **customer first**

Every day, our Research and Development Centre proves it: we focus customer relations on product innovation and quality. Our sales force then takes over, centering after-sale service on listening to customer needs and efficiency.

In order to optimize the performance of our production units, we have to prove that we know operations inside and out. Everyone at Cascades is close to operations, including management.

Martin P. Pelletier, President and Chief Executive Officer, Rolland Inc.
Alain Lemaire, Executive Vice-President, Cascades Inc., President and Chief Executive Officer, Norampac Inc.

OPERATIONS / efficiency from the outset

GROWTH / always on the cutting edge

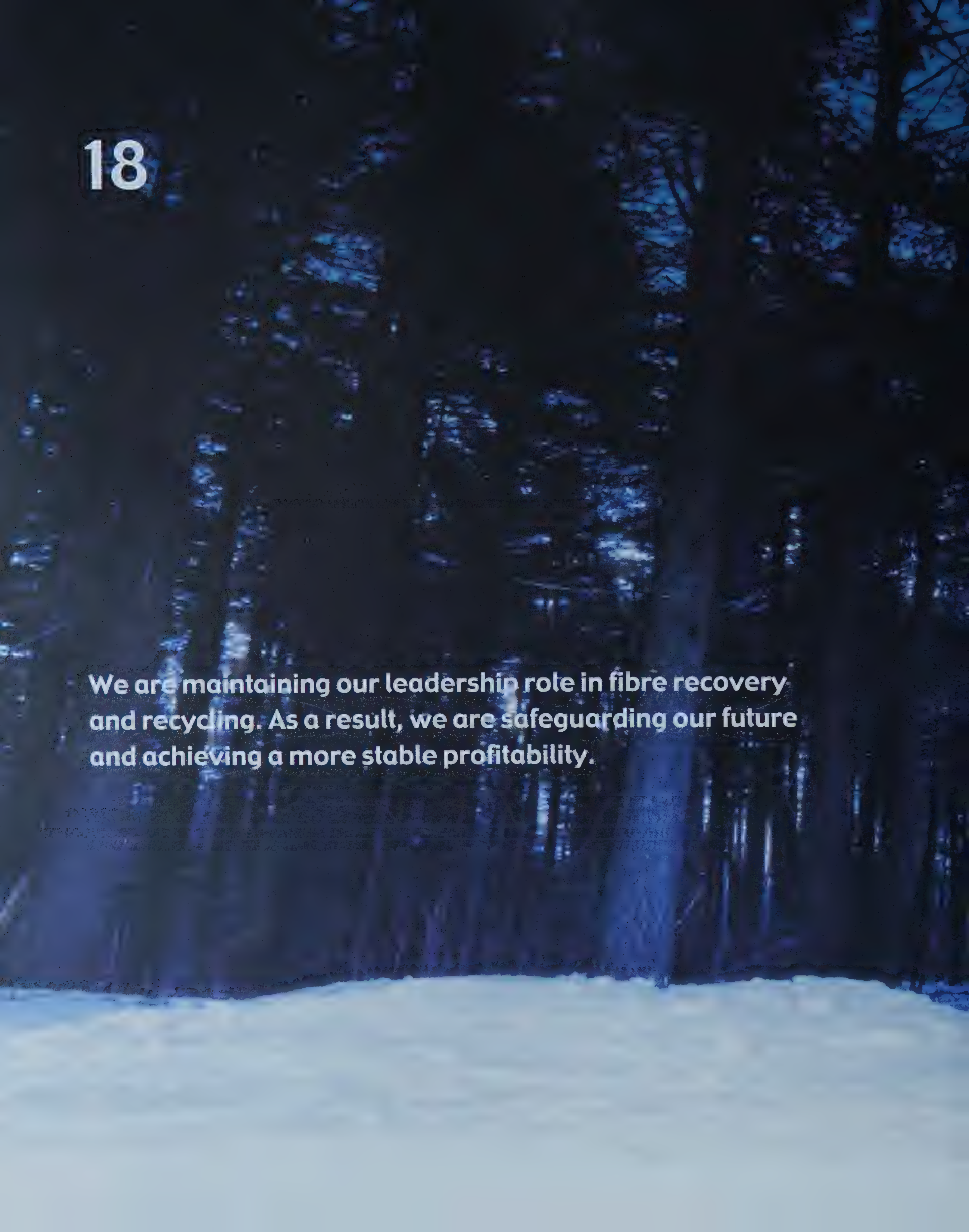
We are constantly on the lookout for high-return acquisition or partnership opportunities in our three business sectors—packaging products, specialty fine papers, and tissue papers—where we have demonstrated strong leadership.

Mario Plourde, President and Chief Operating Officer, Cascades Inc., Specialty Products
Jacques Mallette, President and Chief Executive Officer, Paperboard Industries International Inc

Through decentralization, profit sharing, accountability, ongoing training and internal promotion, we have created a workforce of competent, motivated and responsible employees. These values are more than words ... they translate into concrete actions.

OUR PEOPLE / a strong identity

Line Couture, Corporate Technician, Human Resources
Claude Cossette, Vice-President, Human Resources



We are maintaining our leadership role in fibre recovery and recycling. As a result, we are safeguarding our future and achieving a more stable profitability.

ENVIRONMENT / **sustainable development**

Rina McGuire, General Manager, Cascades Inc., Division Récupération
Claude Audet, Environment Director

Our impressive growth hasn't changed our philosophy. To the contrary, we have retained the decentralized structure while encouraging a sense of pride in the growth of a single group with one vision: Cascades.

Bernard Lemaire, Chairman of the Board

PHILOSOPHY / a heritage for tomorrow

22/ review of operations

Packaging Products / Cascades' growth in the last fiscal year basically came from its core sector, packaging products, which generated 62% of the Company's consolidated net sales and 76% of earnings before interest, taxes, depreciation and amortization (EBITDA). Although market conditions were not equally favourable throughout this sector, significant progress was achieved across the board in terms of productivity and market development, especially in the United States. Several innovations were introduced in 2000 further enhancing a product line that is already recognized for its scope and quality. Customer relations were also strengthened, notably through the signature of long-term partnership agreements.

The boxboard sector reduced operating costs considerably, although the difficult market conditions that continued into 2000 slowed down its recovery. Due to fierce competition in this sector, selling price increases were not sufficient to compensate for the higher costs of raw materials and energy, a situation that was aggravated in Europe by the devaluation of the Euro. In North America, however, our folding carton division recorded major gains in productivity and profitability while increasing its share of the U.S. market which today accounts for 35% of its sales. Moreover, our unique customer partnership approach, the quality and printability of our products and outstanding technical services enabled us to obtain or renew three to five-year contracts with major customers in the food industry. Several granted us awards as their best packaging supplier in North America. As for our boxboard production operations, productivity was noticeably up for the Toronto and Jonquière mills in the last fiscal year, while the new Kraft pulp unit in Jonquière, Québec, became profitable in the second half. We also increased our market penetration in Eastern Europe and Asia, and established ourselves as the largest European supplier of premium liner for microflute packaging, due to the outstanding quality of the product manufactured at our mill in Germany.

In 2000, despite adverse economic conditions, Cascades' boxboard sector achieved or surpassed all of its primary objectives: increase mill productivity, create recurring savings of at least $8 million and keep its capital expenditure program under $30 million.

Cascades largely surpassed its cost reduction objective in this sector. Our ongoing productivity improvement program made it possible to improve machine speeds without further investment, to increase the proportion of premium boxboards in our production mills as well as to reduce equipment start-up times and production waste in our converting plants. Furthermore, we have reduced our selling and administrative expenses by $6 million. In the coming year, we will keep a tight rein on costs and capital expenditures, while also continuing to optimize our business processes and production methods. As well, the boxboard sector will emphasize service excellence and innovation to accelerate its market growth. Among other things, Cascades will intensify the marketing of its microflute and barrier packaging in North America and Europe.

Always one step ahead, Cascades develops products designed to meet the packaging needs created by new ways of marketing and distributing goods, such as e-commerce.

In the containerboard sector, Norampac, our 50%-owned joint venture, showed remarkable growth in 2000, with net sales up 16% and EBITDA up 49%. This performance is attributable mainly to the quality of its workforce, its product lines and the specialization of its plants. It will soon be reinforced by the major two-year capital expenditure program launched in fiscal 2000. Last year, besides investing to increase efficiency, expand and improve product lines and reduce operating costs in most plants, we undertook the construction of a converting mega-plant in the Toronto area. This plant, which will be a model of efficiency, flexibility and quality, will start up in the summer of 2001. It will have the latest and most versatile equipment, highly automated production lines and a warehouse for containerboard, all of

which will allow it to economically produce several categories and combinations of premium-quality fluted paper, and offer customers just-in-time delivery. Moreover, in October 2000, we gained a foothold in the United States by acquiring Armor Box Corporation's corrugated products converting plant in Buffalo, New York. In addition to securing an outlet for our containerboard mills, this acquisition brings other significant strategic advantages, including access to a well-established customer base in the United States. Thanks to its potential for synergy with our Canadian converting plants, it will also allow us to provide better service for all our North American customers, to whom we will offer an expanded range of specialty packaging, large-size boxes and high-quality graphic printing. In the same vein, we are currently pursuing a number of expansion projects with a view to achieving a higher level of integration in our production operations and a stronger competitive position in North America. Specifically, by the end of the first quarter of 2001, we will have commissioned three converting plants in Western Canada, the southern U.S. and northern Mexico. Phase two of our investment program will also focus on upgrading our existing units. In particular, we intend to increase the flexibility of our corrugated container plants in response to an increasing demand for value-added packaging. In terms of marketing, we are planning to sign more long-term agreements with major customers and to explore new avenues, including the packaging needs created by e-commerce.

Three years after its inception, Norampac has become the largest integrated manufacturer in its industry in Canada and now has the second highest operating margin in its industry in North America.

The specialty products sector posted a 10% sales increase due to the strong demand in most of its markets, the full twelve-month contribution of the new floor-covering backing paper plant in France acquired in 1999, and the substantial turnaround of our de-inking plant in Auburn, Maine. On the whole, the sector's profitability was comparable to that of the prior year, despite significant price increases for recycled fibre and energy, and the costs associated with the start-up of three plants. Among them, our new European plant specializing in packaging products for the paper industry has gradually gained a significant position in this important market and should fully contribute to results in 2001. In the fourth quarter, Cascades also started up a polystyrene foam products plant in Warrenton, Missouri. This unit, which manufactures containers for automated meat wrapping systems, will allow Cascades to better serve and further develop its growing clientele in the U.S. food industry. Finally, in the summer of 2000, Cascades consolidated its leadership in protective honeycomb packaging by commissioning a new plant in Ontario, which will bring us closer to this major market and improve the quality of our service. Currently, Cascades is North America's second-largest producer of honeycomb packaging, a product made from recycled fibre that is becoming increasingly popular for packaging industrial and domestic goods because of its strength, flexibility and eco-friendliness. The same can be said for a series of innovative products recently developed by Cascades, such as repulpable products for packaging rolls of paper, biodegradable mulch for agriculture, fire-resistant packaging, which the Company markets in Europe and intends to introduce in North America, and acoustic panelling intended for the building sector. In 2001, the specialty products sector will pursue its expansion, mainly in the U.S. and European markets, and will continue to invest in the productivity and efficiency of its plants. In addition to the contribution of the production units that came on stream in 2000, this sector will support its growth with dynamic marketing of its new, high-potential products, such as repulpable and fire-resistant packaging. It will also seek to establish other long-term supply agreements like those signed in 2000 with three major North American pulp and paper companies. Finally, it will seek to increase control over its supply of recycled fibre by expanding its recovery network.

Having secured a leadership position in all of its market niches, the specialty products sector is determined to maintain its historic rate of growth within the Cascades Group.

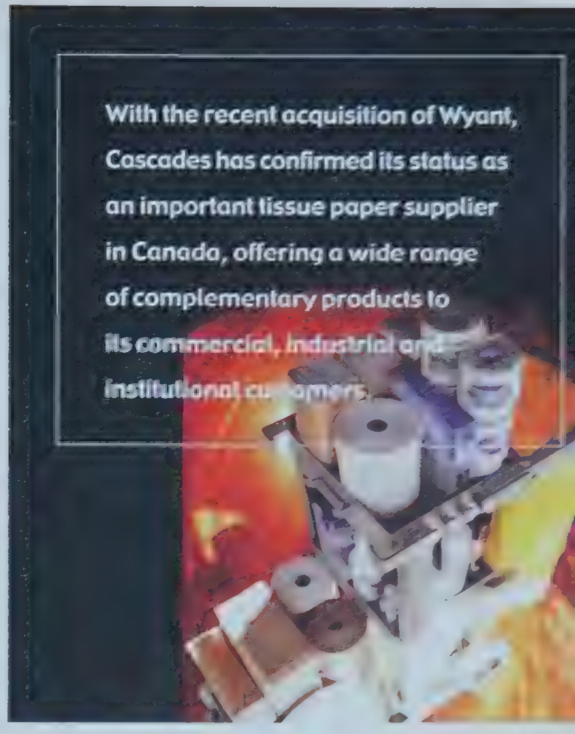

1999
EBITDA
$207M
1998
EBITDA
$194M
2000
EBITDA
$256M
19%
COMPOUNDED ANNUAL GROWTH FOR THE LAST THREE YEARS


FINE PAPERS SECTOR
8%
COMPOUNDED ANNUAL GROWTH FOR THE LAST THREE YEARS
SHIPMENTS
IN THOUSANDS
2000
304
SHORT TONS
1999
279
SHORT TONS
1998
278
SHORT TONS

Fine Papers / In 2000, our fine papers sector successfully drew on its efficiency and expertise in product development and marketing, in response to the sharp increase in the cost of raw material and stiffer competition from European and Asian competitors. Among the year's highlights, our Distribution Division once again posted a very solid financial performance, expanded its line of specialty and office products and accelerated its expansion in Western Canada by opening a new centre in Winnipeg. Meanwhile, our two fine paper mills increased shipments by 9% and maintained strong profitability. In particular, we benefited from the product development and improvement program implemented in Ontario in the previous year as well as the optimization of the Kraft pulp mill in Jonquière, Québec, which is 32%-owned by this sector. Several innovative product lines were also launched, including the premium "Rolland Laser Hi-Tech" reprographic paper, "Rolland Digital CC" paper for digital printers and an original concept for synthetic watermarks. Fiscal 2000 was also a time of optimizing and developing new services at our Converting and Distribution Centre in St. Jérôme. Thanks to its newly expanded cutting facilities and the acquisition of an integrated warehouse management information system, the Centre was able to set up an accelerated program for sheeting and delivery of papers originating from other units in the sector thus providing service within 24 hours for Canadian and U.S. customers. In the near future, a new automated packaging line will help to further increase customer service, speed and quality. Finally, the de-inking unit in Breakeyville, Québec, distinguished itself last year by becoming the first plant in North America to earn the PCF (*Processed Chlorine Free*) label, certifying that no chlorine-based bleach is used in its manufacturing process. Awarded by an internationally recognized environmental organization, this certification, combined with the superior quality of the pulp produced by Cascades, gives us a significantly competitive edge in order to expand our share of the North American market. In 2001, we will continue to invest in the development of distinctive, competitive, value-added products, while placing special emphasis on improving operational efficiency and reducing costs.

Every year Cascades introduces new fine paper lines to better suit the latest printing technology. This is the case for our new "Rolland Digital CC" line, designed to meet the requirements of custom digital printing, which is coming on strong thanks to e-commerce.

TISSUE PAPERS SECTOR



Tissue Papers / For the tissue papers sector, fiscal 2000 was marked by two major events: the completion of our three-year investment program with the start-up of a 30,000-short-ton tissue paper machine in Rockingham, North Carolina, and the fourth-quarter acquisition of Wyant Corporation. The start-up of the new paper machine in April 2000 proved difficult due to the fact that a major expansion of the plant's de-inking unit had to be completed at the same time. This factor, combined with the high cost of recycled fibre and the start-up of the new folding box plant in Lachute, Québec, affected this sector's financial results for the year. However, our performance showed steady improvement during the final months of the year, a trend we expect will continue in 2001 as we optimize our recent investments. In terms of marketing, Cascades continued to increase penetration of the private label segment of retail chains in both Canada and the U.S. We also strengthened our position in the commercial and industrial markets, especially the hotel industry, by improving service speed and quality and by offering new high-quality products.

In November 2000, Cascades consolidated its leading position in Canada in the commercial and industrial tissue paper market by acquiring Wyant Corporation, Canada's largest integrated company in the manufacture, converting and distribution of sanitation supplies. The acquisition of this profitable and well-positioned company, which operates a chemical products plant and two tissue paper converting plants, will contribute an additional $95 million in annual sales to this sector. In addition to providing a major outlet for our giant rolls, the acquisition of Wyant will allow our tissue papers sector to increase its vertical integration through its converting operations. Consistent with our goal of getting closer to the users of our products, the acquisition of Wyant also allows us to integrate a vast Canada-wide sales network employing close to a hundred experienced representatives. Over the next few quarters, we will capitalize on Wyant's marketing intelligence and our own production expertise to maximize the benefits of this investment and develop new markets, first in Canada and then in the United States. While continuing to emphasize product quality and operational efficiency, Cascades will also seek to make other acquisitions in this sector in order to strengthen its presence in Canada and the United States.

Cascades' core business is the production, converting and marketing of a wide range of packaging products, including boxboard, containerboard and numerous other specialty packaging products. Cascades is also involved in two other sectors: fine papers and tissue papers.

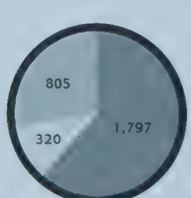
On December 31, 2000, Cascades acquired all shares held by the non-controlling shareholders of its three subsidiaries Paperboard Industries International Inc., Rolland Inc. and Perkins Paper Ltd., in exchange for 14 million common shares of the Company. Since this transaction took place on the last day of the fiscal year, it is reflected in Cascades' consolidated balance sheet as at December 31, 2000, but had no impact on the Company's results for fiscal 2000.

Consolidated Operating Results

(in millions of $, except per share amounts)	2000	1999
Net sales	2,866	2,615
EBITDA	339	309
EBITDA / Net sales	11.8%	11.8%
Net earnings	75	58
Net earnings per common share	$1.12	$0.86

Cascades' total sales reached $3.0 billion in 2000 compared to $2.8 billion in 1999. After deducting the costs of delivery, net sales stood at $2.87 billion, up 10% from net sales of $2.61 billion for the previous year. We therefore posted a net sales/assets ratio of 1.09:1. It should be noted that excluding the businesses bought or sold in fiscal 2000 and at the end of fiscal 1999, Cascades' net sales posted an internal growth of 11%. This performance was supported by a significant rise in shipments of packaging products and fine papers, combined with an increase in average selling prices in the vast majority of our sectors.

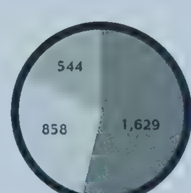
Consolidated Net Sales



2000

Packaging Products	62%
Fine Papers	27%
Tissue Papers	11%

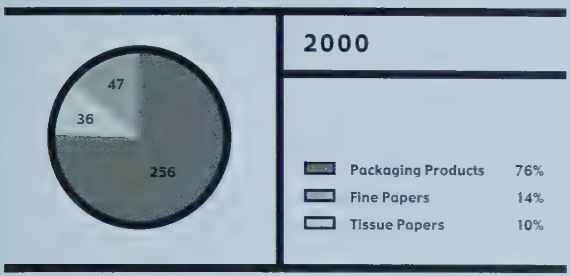
Geographic Sales



2000

Canada	54%
USA	28%
Europe and Others	18%

Consolidated EBITDA



Cascades' earnings before interest, taxes, depreciation and amortization (EBITDA) stood at $339 million versus $309 million in 1999, a 10% increase. Hence, our EBITDA margin remained steady at 11.8%, in spite of the significant rise in the average cost of recycled fibre and energy, which could not entirely be offset by selling price increases. For instance, the average price of natural gas was up more than 44% in 2000 compared to 1999, representing an additional cost of $28 million for the Cascades Group as a whole. As for the various grades of waste paper, prices were up by 20% to 60% in the first half of the year, although they had dropped considerably by year-end.

In addition to higher shipments in most of our sectors, our solid performance in 2000 is mainly attributable to a marked improvement in the profitability of our packaging products sector, which generated 76% of consolidated EBITDA compared with 67% in the previous year, and to effective cost controls throughout the Cascades Group. Among other things, the selling and administrative expenses to net sales ratio was brought down from 10.3% in 1999 to 9.8% in 2000.

Moreover, amortization and depreciation expenses increased by 7% to $125 million, due to strict control of capital expenditures in recent years. As a result, consolidated operating income increased by 11% to $214 million, compared to $192 million in 1999. The operating profit margin rose from 7.3% in 1999 to 7.5% in 2000.

Financial expenses also showed a slight increase of 6%, totalling $91 million versus $86 million for the previous year. Interest on long-term debt grew by $5 million as a result mainly of the debt financing of our expansion in the tissue papers sector, along with the rise in average interest rates.

In the last fiscal year, Cascades recorded an unusual loss of $1 million before income taxes and non-controlling interests, compared to $3 million in 1999. The unusual item for fiscal 2000 includes a combined loss of $9 million resulting from the write-off of an investment representing a balance of sales on assets sold in 1993 in the boxboard sector, and the shutdown of a production unit in the specialty products sector. This loss was almost entirely offset by an $8 million gain representing the major part of a contingent consideration related to the sale of our 50% interest in the Tartas S.A. (France) fluff pulp mill in 1999.

Income taxes totalled $49 million compared to $42 million in 1999. The effective tax rate was down slightly, from 41.4% to 40.3%, due mainly to a reduction in the corporate tax rate in Ontario and in non-manufacturing and processing businesses. As a result, Cascades closed fiscal 2000 with net earnings of $75 million or $1.12 per common share, compared with $58 million or $0.86 per common share in 1999. Net earnings therefore posted a 29% increase for a second consecutive year. Excluding unusual items for 1999 and 2000, Cascades' net earnings amounted to $76 million or $1.14 per common share in 2000, compared to $59 million or $0.88 per share in 1999.

Summary of Segmented Operating Results

Packaging Products

	net sales in millions of $		EBITDA in millions of $		shipments in thousands		average selling price in $ / unit	
	2000	1999	2000	1999	2000	1999	2000	1999
Boxboard								
North America	405	329	28	18	295 m.t.	296 m.t.	1,373	1,111
Europe	400	437	39	38	472 m.t.	447 m.t.	847	866
	805	766	67	56	767 m.t.	743 m.t.		
Containerboard (1)								
Manufacturing	362	297	77	50	655 s.t.	645 s.t.	553	460
Converting	376	317	41	28	4,896 tsf	4,635 tsf	77	68
Other and eliminations	(202)	(151)	7	6				
	536	463	125	84				
Specialty products	488	442	64	67				
Eliminations	(32)	(23)						
	1,797	1,648	256	207				

(1) The containerboard sub-segment consists of 50% of Norampac Inc.

Packaging Products Sector / The packaging products sector was the main source of growth for Cascades in 2000, contributing $149 mill to the consolidated net sales increase and $49 million to the consolidated EBITDA growth. In fact, sales in this sector rose from $1.65 billion t $1.80 billion, this 9% increase stemming basically from internal growth. Excluding the Tartas S.A. mill's sale from 1999 results, net sales growth fo the packaging products sector amounts to 12%. Segmented EBITDA increased 24% to $256 million. The EBITDA margin thereby rose from 12.6 in 1999 to 14.2% in 2000. The contributions of the three main subsectors were as follows:

- Sales grew 5% in the boxboard sector (12% when Tartas S.A. is excluded). In North America, this group's mills and converting plants benefite from a 24% rise in average selling prices. In Europe, excluding Tartas S.A., net sales increased by 3% due to a 13% increase in the average selling price in the local currency and by a 6% increase in shipments, due largely to the development of new markets and to good productivity at the Arnsberg mill (Germany). However, a 14% devaluation of the Euro pushed average selling prices down 2%, which had a negative impact of approximately $63 million on net sales for our European boxboard mills. EBITDA rose 20% to $67 million. This trend upward, which grew stronger as the year progressed, is mainly attributable to improved profitability for our converting division, the turnaroun of the FjordCell Kraft pulp unit in the second half of the year, and the considerable cost-reduction measures introduced in all production un
- The containerboard sector, combined under the 50% joint venture, Norampac Inc., achieved net sales growth of 16% due to increased shipme and a significant rise in average selling prices. Norampac's containerboard mills recorded growth of 2% in shipments and 20% in average sell prices, while the corrugated container plants increased their shipments by 6% and benefited from a 13% rise in average selling prices. Combi with the sector's operational efficiency and strict cost controls, this growth contributed to a 49% increase in EBITDA, in which Cascades' sha amounted $125 million.
- Specialty products was the only sector to record a slight drop in EBITDA, with some units unable to offset rises in the average cost of recycle fibre and energy with equivalent selling price increases. Three new plants were also started up during the year. Cascades nonetheless increase its net sales in this sector by 10% due to an overall growth in sales volume.

Fine Papers

	net sales in millions of $		EBITDA in millions of $		shipments in thousands		average selling price in $ / unit	
	2000	1999	2000	1999	2000	1999	2000	1999
Manufacturing	450	373	26	27	304[s.t.]	279[s.t.]	1,480	1,337
Distribution	442	393	21	20				
Other and eliminations	(87)	(59)						
	805	707	47	47				

Fine Papers Sector / Our fine papers sector posted an increase of 14% in net sales thanks to a 9% growth in shipments of fine papers combined with an 11% rise in average selling prices, along with a 12% increase in sales for our Distribution Division. EBITDA remained steady compared to the previous year, as a result of which the EBITDA margin went from 6.6% to 5.8%, due mainly to the sharp increase in the cost of raw materials and stiffer competition from European and Asian fine paper producers.

Tissue Papers

	net sales in millions of $		EBITDA in millions of $		shipments in thousands		average selling price in $ / unit	
	2000	1999	2000	1999	2000	1999	2000	1999
	320	290	36	55	204[s.t.]	206[s.t.]	1,495	1,408

Tissue Papers Sector / Cascades' tissue papers sector saw its net sales grow by 10% to $320 million, due to a 6% increase in average selling prices and to the acquisition of Wyant Corporation in the fourth quarter. However, our EBITDA was affected by the high average cost of recycled fibre and energy, as well as by the difficult start-up of the new paper machine in our Rockingham, North Carolina, plant. Segmented EBITDA thus went from $55 million in 1999, for a margin of 19.0%, to $36 million in 2000 for an 11.3% margin.

Consolidated Cash Flows / Cascades' cash flow from operations was up 11% to $214 million. Of this amount, $45 million was invested in working capital, mainly because of increased business volumes and the year-over-year growth in average selling prices for most of our sectors. Consistent with our objective, capital expenditures were limited to $148 million for the Group as a whole, $99 million of which in the packaging products sector, $14 million in the fine papers sector and $35 million in the tissue papers sector. Hence, Cascades used 69% of its cash flow from operations to purchase capital assets during fiscal 2000, compared with 67% the previous year.

About two-thirds of our capital expenditures served to improve productivity and efficiency at our existing plants, while the rest was invested in expansion projects, namely: commissioning of a tissue paper machine in the United States and construction of a corrugated container plant in Ontario, as well as of three specialty products plants in Ontario, the United States and France.

Cascades acquired two businesses for a total consideration of $31 million: Armor Box Corporation's corrugated container plant in Buffalo and Wyant Corporation, a Canadian sanitation supplies distributor. The former was financed with the containerboard sector's available cash and the latter, with the existing credit facilities of our tissue papers sector. Investment activities for the year required total net cash resources of $185 million.

We contracted $92 million in new long-term debt throughout the Company, and repaid $62 million of existing debt. The increase in long-term debt is mainly related to the expansion of our tissue papers sector. Conversely, a sizeable share of the debt repayment is attributable to the containerboard sector, where the long-term debt was reduced by 13% during the fiscal year. Adding the payment of a $7 million dividend or $0.11 per common share

and other items, the year's financing activities produced funds of $39 million. It should be noted that the December 31, 2000 financial restructuring did not entail any cash outflows, except for transaction-related costs of about $5 million.

Taking into account the various changes in cash flow during the year, Cascades had cash and cash equivalents of $41 million as at December 31, 2000, compared to $19 million in the previous year.

Impact of Changes in Accounting Policies and Financial Restructuring on the Balance Sheet / On January 1, 2000, Cascades adopted two new recommendations from the Canadian Institute of Chartered Accountants regarding employee future benefits and income taxes. These accounting changes, which have been applied retroactively without restating comparative figures, have reduced retained earnings by $42 million.

Furthermore, on December 31, 2000, Cascades issued 14 million treasury common shares in exchange for the shares held by non-controlling shareholders in the three subsidiaries that were privatized. In addition to the transaction costs, this issue increased Cascades' capital stock by $101 million, while reducing non-controlling interests by $137 million, future income taxes by $16 million and fixed assets by $48 million. As at December 31, 2000, Cascades had 80.9 million common shares outstanding, compared to 66.9 million in 1999.

Consolidated Financial Position as at December 31, 2000 / As at December 31, 2000, Cascades' working capital stood at $384 million, for a current ratio of 1.6:1. Our consolidated total long-term debt totalled $1.1 billion compared to $1.04 billion a year earlier, this increase being mainly linked to expansion in the tissue papers sector. Total net funded debt amounted to $1.17 billion as at December 31, 2000, compared to $1.11 billion in 1999. After taking into account net earnings generated in 2000, the issue of common shares as part of the December 31, 2000 financial restructuring and changes in accounting policies described above, shareholders' equity rose from $649 million as at December 31, 1999, to $776 million at the same date in 2000.

The net funded debt to total capitalization ratio was down slightly, from 54% in 1999 to 53% in 2000. Our short-term objective is to reduce this ratio to 50%, as we move towards our medium-term goal of a 35% to 45% ratio.

Risks and Uncertainties

	price changes	EBITDA (in millions of $)	earnings per share
Boxboard	+ US $20 / mt	23	$ 0.16
Containerboard	+ US $25 / st	25	$ 0.18
Tissue papers	+ US $15 / st	4	$ 0.03
Fine papers	+ US $40 / st	18	$ 0.13
Waste papers	+ US $10 / st	(23)	$(0.16)
Commercial pulp	+ US $50 / mt	(5)	$(0.04)
Interests	+ 1%	(6)	$(0.05)
Natural gas	+ US $1 / mmbtu	(18)	$(0.13)
US $	+ US $0.01 vs CA$	(6)	$(0.05)

This table shows the impact on Cascades' consolidated EBITDA and earnings per share of possible fluctuations in selling prices for our main products and raw materials, interest rates and the U.S. dollar. It should be noted that some of our units have begun to partially shelter their selling prices through three to five-year fixed-price sales agreements with major customers. Furthermore, our containerboard sector uses future contracts on selling prices to cover part of the risk related to price fluctuations.

As for raw materials, Cascades sometimes uses future contracts to protect itself against increases in the cost of waste paper. As well, the fact that we both buy and sell commercial pulp limits our vulnerability to price fluctuations for this material.

Finally, Cascades has recourse to a certain number of derivative financial instruments to reduce the risks related to exchange and interest rate fluctuations. Our units use forward exchange contracts that can cover up to 50% of the net exchange risk for periods ranging from 12 to 24 months.

Environment / Having drawn up an environmental mission backed by efficient environmental programs, Cascades believes that its operations meet or exceed the requirements set out in the laws and regulations in force in the various countries where its facilities are located. Not only does Cascades comply with Canada's standards for effluent discharged into waterways, but its performance is better than the Canadian pulp and paper industry average in terms of average total effluent outflows, average total discharges of suspended solids, and BOD_5.

In addition, Cascades seeks to minimize landfill disposal of production wastes by recovering, developing and implementing residue management systems better adapted to today's realities. Furthermore, eight of the Cascades Group's mills in Europe and North America have received ISO 14001 certification for their environmental management systems, and a number of others are in the process of complying with this international standard. As part of its ongoing improvement program with regards to the environment and sustainable development, Cascades has adopted the following primary goals for the upcoming years:

- water consumption and effluent reduction in its mills;
- reduced landfill disposal using reduction at source and waste reclamation methods;
- elimination or replacement of electrical equipment contaminated with PCBs; and
- gradual implementation of ISO 14001 environmental management systems.

Outlook for 2001 / Despite somewhat slower demand on the North American market, we expect 2001 to be a good year for the pulp and paper industry. The overall increase in the North American industry's production capacity should not exceed the expected growth in demand, such a balance also being helped by the consolidation and rationalization trend within the industry. Under these conditions, most of our sectors should benefit from high-capacity utilization rates and relatively firm selling prices.

Given the current competitive prices for fibre, we also expect to see our profitability increase in coming quarters, providing energy costs remain below the peak reached at the end of 2000. On a segmented basis, despite a very competitive environment in the fine papers sector, Cascades will benefit from the turnaround in profitability currently under way in the boxboard sector, steady performance in the containerboard sector and the optimization of the plants commissioned during 2000 in the specialty products sector. As well, the recent acquisition of Wyant Corporation and the optimization of our capital expenditures in the tissue papers sector will make a positive contribution to our results. Finally, all of our business units will continue to emphasize operational optimization, cost reduction and strict control over capital expenditures.

In 2001, our capital expenditures will exclusively target investments allowing for a fast return. A significant portion of our capital spending will be allocated to our share of the ongoing investment program undertaken in 2000 in the containerboard sector. We will also be on the lookout for high-potential acquisitions in all three of our operating sectors. Cascades' unused credit facilities totalled over $375 million as at December 31, 2000, $121 million of which for Norampac.

38/ consolidated financial statements

Management's Report / The consolidated financial statements for the years ended December 31, 2000 and 1999 were completed by the management of Cascades Inc., reviewed by the audit committee and approved by the board of directors. They were prepared in accordance with accounting principles generally accepted in Canada and are consistent with the Company's business.

The Company and its subsidiaries maintain high-quality systems of internal controls. Such systems are designed to provide reasonable assurance that the financial information is accurate and reliable. The information included in this Annual Report is consistent with the financial statements contained herein.

The financial statements have been audited by PricewaterhouseCoopers LLP whose report is provided below.

Laurent Lemaire

Laurent Lemaire
President and Chief Executive Officer
Kingsey Falls, Canada
February 28, 2001

Auditors' Report To the Shareholders of Cascades Inc. / We have audited the consolidated balance sheets of Cascades Inc. as at December 31, 2000 and 1999 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Montréal (Canada)
January 29, 2001

consolidated balance sheets

As at December 31, 2000 and 1999
(in millions of dollars)

	note	2000	1999
ASSETS			
Current assets			
Cash and cash equivalents		41	19
Accounts receivable		525	465
Inventories	3	418	354
		984	838
Capital assets	4	1,376	1,355
Other assets	5	277	243
		2,637	2,436
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank loans and advances		117	85
Trade accounts payable and accrued liabilities		432	373
Current portion of long-term debt			
With recourse		5	3
Without recourse		46	24
		600	485
Long-term debt	6		
With recourse		201	192
Without recourse		844	825
Other liabilities	7	216	285
Shareholders' Equity			
Capital stock	8	260	159
Retained earnings		505	479
Cummulative translation adjustments		11	11
		776	649
		2,637	2,436

approved by the Board of Directors,

Laurent Lemaire
Director

Bernard Lemaire
Director

consolidated statements of retained earnings

For the years ended
December 31, 2000 and 1999
(in millions of dollars)

	note	2000	1999
Balance – Beginning of year			
As previously reported		479	428
Change in accounting policies	1	(42)	–
As restated		437	428
Net earnings for the year		75	58
Dividends on common shares		(7)	(7)
Balance – End of year		505	479

consolidated statements of earnings

For the years ended December 31, 2000 and 1999
(in millions of dollars, except per share amounts)

	note	2000	1999
SALES		3,031	2,776
Cost of delivery		165	161
Net sales		2,866	2,615
Cost of sales and expenses			
Cost of sales		2,245	2,036
Selling and administrative expenses		282	270
Depreciation and amortization		125	117
		2,652	2,423
Operating income		214	192
Financial expenses			
Interest on long-term debt		77	72
Other interest		14	14
		91	86
		123	106
Unusual items	9	(1)	(3)
		122	103
Provision for income taxes	10	49	42
		73	61
Share of results of significantly influenced companies		5	5
Non-controlling interests		(3)	(8)
		2	(3)
Net earnings for the year		75	58
Net earnings and diluted net earnings per common share		$1.12	$0.86

consolidated statements of cash flows

For the years ended December 31, 2000 and 1999
(in millions of dollars)

	note	2000	1999
Operating activities			
Net earnings for the years		75	58
Items not affecting cash			
Depreciation and amortization		125	117
Unusual items		1	3
Future income taxes		11	12
Share of results of significantly influenced companies		(5)	(5)
Non-controlling interests		3	8
Other		4	(1)
		214	192
Net change in non-cash operating working capital balances	11	(45)	(51)
		169	141
Investing activities			
Purchase of capital assets		(148)	(128)
Other assets		(7)	(12)
Business acquisitions	2	(31)	(13)
Business disposals	2	1	17
		(185)	(136)
Financing activities			
Bank loans and advances		25	27
Increase in long-term debt		92	42
Payments of long-term debt		(62)	(82)
Dividends		(7)	(7)
Other		(9)	(7)
		39	(27)
Net change in cash and cash equivalents during the year		23	(22)
Translation adjustments on cash and cash equivalents		(1)	2
Cash and cash equivalents — Beginning of year		19	39
Cash and cash equivalents — End of year		41	19
Supplemental disclosure			
Interest paid		84	76
Income taxes paid		42	25
Acquisition of non-controlling interests by the issuance of common shares		96	-

segmented information

For the years ended December 31, 2000 and 1999
(in millions of dollars)

The Company's operations are principally in the following segments: packaging products, fine papers and tissue papers. The classification of these segments is based on the primary operations of the main subsidiaries and joint ventures of the Company.

The Company analyzes the performance of its segments based on their earnings before financial expenses, income taxes, depreciation and amortization ("EBITDA") prepared in accordance with accounting principles generally accepted in Canada. Earnings for each segment are prepared on the same basis as those of the Company. Intersegment operations are recorded on the same basis as sales to third parties, that being fair market value.

The earnings and assets of the Company presented by reportable segments are as follows:

	NET SALES		EBITDA		PURCHASE OF CAPITAL ASSETS	
	2000	1999	2000	1999	2000	1999
Packaging products						
Boxboard						
North America	405	329	28	18	11	19
Europe	400	437	39	38	15	11
	805	766	67	56	26	30
Containerboard[1]						
Manufacturing	362	297	77	50	19	11
Converting	376	317	41	28	24	8
Other and eliminations	(202)	(151)	7	6	-	-
	536	463	125	84	43	19
Specialty products	488	442	64	67	30	22
Eliminations	(32)	(23)	-	-	-	-
	1,797	1,648	256	207	99	71
Fine papers						
Manufacturing	450	373	26	27	11	12
Distribution	442	393	21	20	3	1
Other and eliminations	(87)	(59)	-	-	-	-
	805	707	47	47	14	13
Tissue papers	320	290	36	55	35	44
Eliminations	(56)	(30)	-	-	-	-
Total	2,866	2,615	339	309	148	128
Depreciation and amortization			(125)	(117)		
Operating income			214	192		

(1) The containerboard sub-segment consists of 50% of Norampac Inc.

segmented information

For the years ended December 31, 2000 and 1999
(in millions of dollars)

	2000	1999
IDENTIFIABLE ASSETS		
Packaging products		
Boxboard	917	880
Containerboard[1]	662	620
Specialty products	524	498
	2,103	1,998
Fine papers	374	334
Tissue papers	414	328
Consolidation revaluation	(212)	(188)
Intersegment eliminations	(42)	(36)
Total	2,637	2,436

(1) The containerboard sub-segment consists of 50% of Norampac Inc.

	2000	1999
BY GEOGRAPHIC SEGMENT		
Sales		
Canada		
Within Canada	1,620	1,442
To the United States	665	604
Offshore	58	34
	2,343	2,080
United States		
Within the United States	193	165
To Canada	9	13
	202	178
France		
Within France	125	140
Outside France	164	180
	289	320
Other countries	197	198
Total	3,031	2,776
Capital assets		
Canada	987	1,008
United States	189	141
France	142	147
Other countries	58	59
Total	1,376	1,355

For the years ended December 31, 2000 and 1999
(tabular amounts in millions of dollars)

note 1.

Accounting policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include the following significant accounting policies:

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries, which have been accounted for using the purchase method. They also include the portion of the accounts of the joint ventures accounted for through the proportional consolidation method. Investments in significantly influenced companies are accounted for using the equity method.

The main subsidiaries and joint ventures are as follows:

	Primary business segment	Percentage of common shares held by the Company as at December 31,	
		2000 %	1999 %
Paperboard Industries International Inc.	Packaging	100.00	71.12
Rolland Inc.	Fine papers	100.00	73.31
Perkins Papers Ltd.	Tissue papers	100.00	74.19
Norampac Inc.	Packaging	50.00	50.00
Boralex Inc.	Energy	45.00	45.00

On December 31, 2000, the Company completed the privatization of Paperboard Industries International Inc., Rolland Inc. and Perkins Papers Ltd. The details of this transaction are presented in note 2.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the balance sheet date as well as the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

CHANGE IN ACCOUNTING POLICIES

On January 1, 2000, the Company applied two new recommendations of the Canadian Institute of Chartered Accountants regarding employee future benefits and income taxes. These changes, which have been applied retroactively without restating the comparative figures resulted, for the first recommendation, in an increase in other assets of $8,384,000, an increase in other liabilities of $41,318,000 and a decrease in retained earnings of $21,870,000, after deduction of related future income taxes of $11,064,000. The second recommendation resulted in a decrease in working capital components of $2,330,000, an increase in capital assets of $6,094,000, an increase in future income tax liabilities of $32,660,000 and a decrease in retained earnings of $19,758,000, after deduction of non-controlling interests of $9,138,000.

The Company also applied retroactively the new recommendation relating to the calculation of diluted earnings per share. This change did not have any effect on the 1999 and 2000 amounts per share.

In 1999, the Company applied retroactively the recommendation relating to the statement of cash flows. The application of this accounting standard did not have any effect on net earnings or shareholders' equity.

FAIR MARKET VALUE OF FINANCIAL INSTRUMENTS

The Company has estimated the fair market value of its financial instruments based on current interest rates, the market value and current price of financial instruments with similar terms. Unless otherwise disclosed herein, the carrying value of these financial instruments, especially those with current maturities such as cash and cash equivalents, accounts receivable, bank loans and advances, and trade accounts payable and accrued liabilities, approximates their fair market value.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, bank balances and short-term liquid investments with maturities of three months or less.

INVENTORIES

Inventories of finished goods are valued at the lower of average production cost and net realizable value. Inventories of raw materials and supplies are valued at the lower of cost and replacement value. Cost of raw materials and supplies is determined using the average cost and the first-in, first-out basis respectively.

CAPITAL ASSETS AND DEPRECIATION

Capital assets are recorded at cost, including interest incurred during the construction period of certain capital assets. Depreciation is calculated on a straight-line basis at annual rates varying from 3% to 5% for buildings, 5% to 10% for machinery and equipment, and 15% to 20% for automotive equipment, determined according to the useful life of each class of capital asset.

GRANTS AND INVESTMENT TAX CREDITS

Grants and investment tax credits are accounted for using the cost reduction method and are amortized to earnings as a reduction of depreciation, using the same rates as those used to depreciate the related capital assets.

OTHER INVESTMENTS

Other investments are recorded at cost except when there is a decline in value which is other than temporary, in which case they are reduced to their estimated net realizable value.

GOODWILL

Goodwill results principally from the excess of the cost of business acquisitions over the fair value of the net assets acquired and is amortized on a straight-line basis over periods not exceeding 25 years. The Company assesses periodically whether a provision for permanent impairment in the value of goodwill should be recorded to earnings. This is accomplished mainly by determining whether projected undiscounted future cash flows exceed the net book value of goodwill.

DEFERRED CHARGES

Deferred charges are recorded at cost less accumulated amortization and include, in particular, the issuance costs of long-term debt, which are amortized on a straight-line basis over the anticipated period of repayment of the respective debt, and start-up costs which are amortized on a straight-line basis over a period of three to five years from the end of the start-up period.

ENVIRONMENTAL COSTS

Environmental expenditures, including site rehabilitation costs, are expensed or capitalized depending upon their future economic benefit. Expenditures incurred to prevent future environmental contamination are capitalized and amortized on a straight-line basis at annual rates varying from 3% to 10%. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. A provision for environmental costs is recorded when it is probable that a liability has been incurred and the costs can be reasonably estimated.

EMPLOYEE FUTURE BENEFITS

Certain subsidiaries and a joint venture of the Company maintain defined benefit pension plans which provide retirement benefits for certain employees based upon the length of service and, in certain cases, the final average earnings of the employee. In addition, certain employees are members of defined contribution pension plans and of group RRSPs. The Company and its subsidiaries and joint ventures also provide to their employees complementary retirement benefits and other post-employment benefits, such as group life insurance and medical and dental care plans.

The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on years of service and management's best estimate of expected plan investment performance, salary escalations, retirement ages of employees and expected health care costs.

For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Past service costs arising from a plan amendment are amortized on a straight-line basis over the average remaining service period of the group of employees active at the date of the amendment. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

INCOME TAXES

The Company uses the liability method in accounting for income taxes. According to this method, future income taxes are determined using the difference between the accounting and tax bases of assets and liabilities. The tax rate in effect when these differences will reverse is used to calculate future income taxes at the balance sheet date. Future income tax assets are recognized when it is more likely than not that the assets will be realized.

FOREIGN CURRENCIES TRANSLATION

— Foreign currency transactions

Transactions denominated in foreign currencies are recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the local currency at the rate of exchange prevailing at the balance sheet date. Unrealized gains and losses on translation of long-term monetary items are deferred and amortized over the remaining lives of these items, except to the extent of the gains and losses related to the portion of the long-term debt designated as a hedge of the net investment of the Company in a self-sustaining operation, which are offset against the cumulative translation adjustments. Unrealized gains and losses on translation of other monetary assets and liabilities are reflected in the determination of the net results for the year. Unrealized gains and losses on forward exchange contracts used to hedge future revenue streams in foreign currencies are deferred and accounted for as part of the transaction being hedged.

— Foreign operations

The Company's foreign operations are defined as self-sustaining. The assets and liabilities of these operations are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Revenue and expenses are translated at the average exchange rate for the year. Translation gains or losses are deferred and shown as a separate component of shareholders' equity.

AMOUNTS PER COMMON SHARE

Amounts per common share are determined using the weighted average number of common shares outstanding during the year.

Diluted amounts per common share are determined using the treasury stock method to evaluate the dilutive effect of share options, convertible instruments and equivalents, when applicable. Under this method, instruments with a dilutive effect, basically when the average market price of the share for the period exceeds the exercise price, are considered to have been exercised at the beginning of the period and the proceeds received are considered to have been used to redeem common shares of the Company at the average market price for the period.

note 2.

Business acquisitions and disposals

a) PRIVATIZATION OF CERTAIN SUBSIDIARIES OF THE COMPANY

On December 31, 2000, the Company acquired the shares held by non-controlling shareholders in its subsidiaries Paperboard Industries International Inc. (excluding preferred shareholders), Perkins Papers Ltd. and Rolland Inc. in exchange for 13,998,453 common shares of the Company. The fair value of $6.85 attributed to the shares issued represents the quoted market value of the Company's shares at the date of the transaction.

Certain shareholders of these subsidiaries have used their dissenting right and asked to be paid in cash the fair market value of their shares as at December 31, 2000. A provision of $4,500,000 has been recorded in the consolidated financial statements to cover the fair market value of these shares as estimated by the Company. If a dissenting shareholder refuses the Company's offer, the Company or the shareholder may apply to the court to fix the fair value of the shares.

An amount of $20,000,000, being the excess of the net book value of the non-controlling interests over their purchase price, has been recorded, under the purchase method, as a decrease of $30,000,000 in capital assets and a decrease of $10,000,000 in future income tax liabilities. It is not possible to predict when the procedure for dissenting shareholders will be concluded. Any resulting adjustment to the provision will be shown as a decrease or increase in capital assets.

The Company also agreed with the holders of the Class B preferred shares of a subsidiary that, upon the exercise of their conversion rights into common shares, these shares will be exchanged for a total of 872,727 common shares of the Company. As a result, the Class B preferred shares of this subsidiary are shown in shareholders' equity of the Company for an amount of $5,978,000, which represents the fair value as at December 31, 2000 of the common shares of the Company which would be issued upon exercising the exchange rights. The excess of $11,741,000 of the net book value of the preferred shares over their fair value has been recorded, under the purchase method, as a decrease of $17,534,000 in capital assets and a decrease of $5,793,000 in future income tax liabilities.

b) OTHER BUSINESS ACQUISITIONS AND DISPOSALS

In 2000, the Company acquired two businesses, one in the packaging products segment (Armor Box Corporation) and one in the tissue papers segment (Wyant Corporation) for a total consideration of $30,584,000.

In addition, the Company disposed of its 50% interest in a satured paper and car felt production facility for a total consideration of $3,165,000, including a $2,000,000 balance of sale.

In 1999, the Company acquired a floor-covering support paper production facility located in Boissy-le-Châtel, France, for a total consideration of $13,026,000. In addition, a subsidiary disposed of its 50% interest in a fluff pulp mill located in France, for a total consideration of $35,557,000, including a $5,000,000 balance of sale, and a contingent amount of up to $10,000,000 to be received based on the profitability of the mill in the three following years and for which no value has been recorded in 1999 due to the underlying uncertainty (refer to note 9 c)).

These acquisitions have been accounted for using the purchase method and the accounts and results of operations of these entities have been included in the consolidated financial statements since their respective acquisition date. The following allocation of the purchase prices to the identifiable assets acquired and liabilities assumed resulted in goodwill of $12,932,000 (1999 - $118,000) which will be amortized over a period not exceeding 25 years.

	2000		1999	
	Net assets acquired	Net assets disposed of	Net assets acquired	Net assets disposed of
Cash	–	–	–	(13)
Current assets	40	(2)	8	(22)
Long-term assets	42	(3)	13	(15)
	82	(5)	21	(50)
Bank advances	(7)	–	–	–
Current liabilities	(27)	2	(7)	14
Long-term debt	(11)	–	(1)	8
Other liabilities	(6)	–	–	1
	(51)	2	(8)	23
Net gain on business disposal	–	–	–	(8)
Total consideration	31	(3)	13	(35)

note 3.

Inventories

	2000	1999
Finished goods	245	195
Raw materials	78	70
Supplies	95	89
	418	354

note 4.

Capital assets

2000	Cost	Accumulated depreciation	Net
Land	45	–	45
Buildings	339	89	250
Machinery and equipment	1,710	681	1,029
Automotive equipment	44	29	15
Other	43	6	37
	2,181	805	1,376

1999	Cost	Accumulated depreciation	Net
Land	39	–	39
Buildings	318	72	246
Machinery and equipment	1,589	575	1,014
Automotive equipment	41	26	15
Other	47	6	41
	2,034	679	1,355

Capital assets include assets under capital leases with a cost of $26,177,000 and accumulated depreciation of $16,392,000 as at December 31, 2000 (1999 - $26,578,000 and $14,820,000 respectively). Other capital assets include, among others, machinery and equipment in process of installation with a net book value of $25,901,000 (1999 - $32,265,000), deposits on purchase of capital assets amounting to $4,480,000 (1999 - $170,000) and unused properties, machinery and equipment with a net book value of $2,584,000 (1999 - $3,671,000) which does not exceed their estimated net realizable value.

note 5.

Other assets

	note	2000	1999
Investments in significantly influenced companies		99	92
Other investments		10	16
Goodwill		74	61
Deferred charges		35	39
Employee future benefits	12 b)	49	33
Deferred foreign exchange loss		10	2
		277	243

note 6.

Long-term debt

WITH RECOURSE

The following debts have or may have recourse rights against certain assets of Cascades Inc. or its general credit. These debts include restrictive and financial covenants.

	note	2000	1999
Revolving credit facility, 7.05% variable rate as at December 31, 2000	6 a)	164	156
Loan of a nominal amount of US$20,695,000, 7.94% fixed rate, payable through 2008		31	31
Other debts		11	8
		206	195
Less: Current portion		5	3
		201	192

WITHOUT RECOURSE

The following debts of subsidiaries and joint ventures of the Company do not have any recourse against the assets or the general credit of Cascades Inc. These debts without recourse have certain collaterals from the subsidiaries and include restrictive and financial covenants.

	note	2000	1999
Revolving credit facilities, 7.86% weighted average variable rate	6 b)	289	255
Acquisition credit facility, 7.97% weighted average variable rate	6 c)	57	59
Redeemable preferred shares	6 d)	70	76
8.375% Senior Notes, maturing in 2007	6 e)	188	180
9.50% and 9.375% Senior Notes, maturing in 2008	6 e)	163	158
Loans, 7.85% weighted average variable rate payable through 2011		85	76
Loans, 4.93% weighted average fixed rate payable through 2017		9	16
Capital lease obligations	6 j)	21	27
Other debts		8	2
		890	849
Less: Current portion		46	24
		844	825

a) The Company has a credit facility for an authorized amount totalling $200,000,000 which converts, after a revolving period of two years and unless a renewal is agreed to annually, into a term loan repayable over a period of three years. For the purpose of the repayments disclosed in note 6 i), it is assumed that the revolving period will be renewed in the future.

b) The subsidiaries and joint ventures of the Company have available revolving credit facilities for an authorized amount totalling CA$354,875,000 and US$145,000,000. These credit facilities mature as follows: CA$215,500,000 in 2003, US$45,000,000 in 2005, CA$139,375,000 reducing from 2001 to 2004 until complete extinguishment and US$100,000,000 reducing from 2001 to 2005. For credits facilities totalling $272,375,000, an additional margin may be added to the interest rate based on certain financial ratios.

c) A subsidiary of the Company has an acquisition credit facility not to exceed $57,087,000 (1999 - $111,808,000) available by way of term loans on a reducing, non-revolving basis. The available credit is reduced quarterly by $1,177,200 in September 2001 and $2,354,500 from December 2001 to June 2003, the balance being payable in September 2003. In addition, the acquisition credit facility is reduced, on a permanent basis, by the net proceeds from disposal of assets under certain circumstances, by the net proceeds from the issuance of new debt and, from 2000, by 50% of excess cash flow, when the total debt over EBITDA ratio, as defined in the credit agreement, is greater than 3.5:1.

d) The redeemable preferred shares include the 2,700,000 Class A preferred shares of a subsidiary of which 113,683 shares have been acquired by the Company during the year. These shares provide for a cumulative quarterly dividend of 1.25% of their accrued redemption amount of $70,338,000, of which $5,680,000 represents the dividends accrued for the first three years following their issuance and payable upon redemption. These shares are redeemable by the subsidiary at any time, but no later than November 30, 2003, at a price of $25 per share plus any accrued and unpaid dividends. The holders may require the subsidiary to redeem, at a price of $25 per share plus any accrued and unpaid dividends, a maximum of 800,000 shares on November 30, 2000 (refer to paragraph hereinafter), an additional 800,000 shares on November 30, 2001 and on November 30, 2002, and the remaining outstanding shares on December 31, 2003.

note 6. Long-term debt (cont'd)

On September 21, 2000, the holders agreed with the Company that they would not ask for redemption, as at November 30, 2000, of the above-mentioned 800,000 shares. In return, the subsidiary committed to redeem these 800,000 shares in the quarter following the quarter when certain financial ratios would be met. Accrued dividends of $2,497,000 on these shares have been paid by the subsidiary using a subordinated advance from the Company. If these 800,000 shares have not been redeemed before November 30, 2001, holders may require their redemption, together with 800,000 other shares on November 30, 2001, plus accrued and unpaid dividends on these shares, for a total amount of $42,497,000 ($40,708,000 when excluding the shares held by the Company). All of the redeemable preferred shares have been shown as non-current liabilities because, should the holders ask for the redemption of the above-mentioned shares, the amount will be paid with the long-term revolving credit facility available to the subsidiary and, under certain conditions and up to $20,000,000, with those of the Company.

e) These unsecured Senior Notes are repayable prior to maturity at the option of the subsidiary and the joint venture, in whole or in part and under certain conditions, subject to payment of a redemption premium.

f) As at December 31, 2000, the long-term debt included debt denominated in foreign currencies of US$241,396,000, FF460,774,000 and DM50,994,000.

g) As at December 31, 2000, accounts receivable and inventories, totalling approximately $726,723,000, as well as capital assets totalling approximately $605,605,000, are pledged as collateral for bank loans and advances and long-term debt.

h) The aggregate fair value of the long-term debt, including capital lease obligations but excluding preferred shares, was estimated at $970,373,000 as at December 31, 2000 based on the market value for the Senior Notes and on discounted future cash flows using interest rates available for issues with similar terms and average maturities for the other debts.

i) The estimated aggregate amount of repayments on long-term debt, excluding capital lease obligations and redeemable preferred shares, in each of the next five years is as follows:

Years ending December 31,	2001	45
	2002	43
	2003	186
	2004	70
	2005	16

j) As at December 31, 2000, future minimum payments under capital lease obligations are as follows:

Years ending December 31,	2001	7
	2002	6
	2003	6
	2004	5
		24
Less: Interest (average weighted rate of 5.87%)		3
		21
Less: Current portion		6
		15

k) As at December 31, 2000, the Company and its subsidiaries and joint ventures had unused lines of credit on short-term and long-term credit facilities of $72,746,000 and $310,374,000 respectively.

note 7.

Other liabilities

	note	2000	1999
Employee future benefits	12 b)	63	11
Future income taxes	10 b)	122	89
Non-controlling interests		31	185
		216	285

note 8.

Capital stock

	note	2000	1999
80,900,663 common shares (1999 - 66,902,210)	8 a)	254	159
4,300,000 preferred shares of a subsidiary	8 b)	6	-
		260	159

a) The authorized capital stock of the Company consists of an unlimited number of common shares, without nominal value. During 2000, the Company did not redeem any common shares. As at December 31, 2000, the Company issued 13,998,453 common shares, as part of the privatization of subsidiaries described in note 2 a).

b) The 4,300,000 Class B preferred shares of a subsidiary are convertible into common shares of the subsidiary, which will be exchanged, according to an agreement with the holders, into a total of 872,727 common shares of the Company. These preferred shares provide for a cumulative quarterly dividend of 0.25% of their redemption price. These shares are redeemable by the subsidiary at any time at a price of $25 per share. They have no redemption date and the holders cannot require a redemption for cash.

c) Under the terms of a share option plan adopted on December 15, 1998 for officers and key employees of the Company, 7,365,021 common shares have been specifically reserved. Each option will expire at a date not to exceed ten years following the date the option was granted. The exercise price of an option shall not be lower than the share market value at the date of grant, determined as the average of closing prices of the share on the Toronto stock exchange on the five trading days preceding the date of grant. The terms for exercising the options are 25% of the number of shares under option within twelve months after the date of grant, and up to an additional 25% each twelve months after the first, second and third anniversary dates of grant. The options cannot be exercised when the share market value is lower than the net book of the Company at the date of grant. No compensation cost is recognized when the options are issued to employees. Any consideration paid by employees on exercise of options is credited to capital stock.

During 2000, as part of the privatization described in note 2 a), the Company granted to officers and key employees of its subsidiaries, 713,298 options to buy common shares of the Company, in exchange for the cancellation of the share options of the subsidiaries owned by these employees. Terms of the new options are the same as the former options, except for the exercise price and the number of shares, which have been adjusted based on the exchange ratio used for the privatization.

Changes in the number of options outstanding are as follows:

	2000		1999	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Beginning of year	453,039	8.24	30,000	6.25
Granted	713,298	7.27	423,039	8.38
End of year	1,166,337	7.64	453,039	8.24
Options exercisable – End of year	444,423	6.26	24,000	6.25

The following options were outstanding as at December 31, 2000:

	Options outstanding		Options exercisable		
Year granted	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Expiration
		$		$	
1995	102,739	6.60	102,739	6.60	2002
1996	254,380	5.54	254,380	5.54	2003 to 2006
1999	563,384	8.73	45,033	8.38	2009
2000	245,834	7.76	42,271	7.49	2010
	1,166,337		444,423		

note 9.

Unusual items

	note	2000	1999
Expenses related to business closing	9 a)	(2)	(9)
Other expenses	9 b)	(7)	(2)
Gain on business disposals	9 c)	8	8
		(1)	(3)

a) In 2000, the Company has definitively closed its plastic facility located in Cabano, Québec, encurring costs of $2,205,000. In 1999, the Company did the same with its organic felt facility, encurring costs of $5,814,000. In addition, during 1999, a subsidiary closed its sheeting and distribution centre in Maryland, encurring closing costs of $2,971,000.

b) Other expenses include provisions for impairment in value of certain long-term assets of a subsidiary.

c) In 1999, a subsidiary realized a gain of $7,941,000 from the sale of a fluff pulp mill located in France. In 2000, an additional gain of $8,238,000 has been recorded relating to this disposal. This amount was contingent on the profitability of the mill.

note 10.

Income taxes

a) The effective income tax rate differs from the basic rate for the following reasons:

	2000	1999
	%	%
Combined basic Canadian and Québec income tax rate	45.6	45.8
Increase (decrease) in rate arising from the following:		
Difference in foreign operations statutory income tax rate	(0.7)	0.1
Unrecognized tax benefit arising from losses of subsidiaries	4.2	3.3
Permanent differences	2.5	3.2
Deduction for manufacturing and processing and income from active business carried on in Québec	(12.8)	(13.0)
Large corporations tax	2.7	2.6
Other	(1.2)	(0.6)
	(5.3)	(4.4)
Effective income tax rate for the year	40.3	41.4

b) Future income taxes include the following items as at December 31, 2000:

FUTURE INCOME TAX ASSETS	
Tax benefit arising from income tax losses	62
Employee future benefits	16
Unused tax credits	11
Other	9
Unrecorded future income tax asset	(29)
	69
FUTURE INCOME TAX LIABILITIES	
Capital assets	163
Employee future benefits	14
Other assets	11
Other	3
	191
FUTURE INCOME TAXES	122

c) Certain subsidiaries have accumulated losses for income tax purposes amounting to approximately $184,884,000 which may be carried forward to reduce taxable income in future years. The future tax benefit resulting from the deferral of $112,080,000 from these losses has been recognized in the accounts as a future income tax asset. These unused losses for income tax purposes may be claimed in years ending no later than from 2001 to 2020 for an amount of $126,193,000 and indefinitely for an amount of $58,691,000.

note 11.

Net change in non-cash operating working capital balances

	2000	1999
Accounts receivable	(26)	(56)
Inventories	(54)	(26)
Trade accounts payable and accrued liabilities	35	31
	(45)	(51)

note 12.

Employee future benefits

a) The expense for 2000 for employee future defined benefits is as follows:

	Pension plans	Other plans
Current service cost	10	2
Interest cost on obligation	24	3
Expected return on plans assets	(29)	-
Expense for the year	5	5

The expense recorded in 2000 for defined contributions plans (excluding group RRSPs) amounts to $539,000.

b) The funded status of the defined benefit plans and the other complementary retirement benefit plans and post-employment benefit plans are as follows as at December 31, 2000:

	Pension plans	Other plans
ACCRUED BENEFIT OBLIGATION		
Obligation – Beginning of year	346	49
Current service cost	15	2
Interest cost	24	3
Benefit payments	(16)	(2)
Business acquisition	12	-
Obligation – End of year	381	52
PLANS' ASSETS		
Fair value – Beginning of year	384	-
Actual return on assets	42	-
Contributions by the Company	8	-
Contributions by the employees	5	-
Benefit payments	(16)	-
Business acquisition	10	-
Fair value – End of year	433	-
RECONCILIATION OF THE FUNDED STATUS		
Surplus (deficit) – End of year	52	(52)
Unamortized net actuarial gain	(14)	-
Net amount recognized	38	(52)

The net amount recognized as at December 31, 2000 is detailed as follows:

	Pension plans	Other plans	Total
Employee future benefit assets	49	-	49
Employee future benefit liabilities	(11)	(52)	(63)
	38	(52)	(14)

c) The following amounts relate to plans that are not fully funded as at December 31, 2000:

	Pension plans	Other plans
Accrued benefit obligation	(41)	(52)
Fair value of plans' assets	30	-
Funded status (deficit)	(11)	(52)

d) The main actuarial assumptions adopted in measuring the accrued benefit obligations and expenses, as at December 31, 2000, are as follows:

	Pension plans	Other plans
Discount rate	6.6% to 7.25%	6.6% to 7.0%
Expected long-term rate of return on plans' assets	7.0% to 7.5%	-
Salary escalation rate	2.0% to 4.5%	2.0% to 4.0%
Rate increase in health care cost		
2000	-	10.5% to 13.0%
Ultimately	-	4.7% to 8.0%

The discount rate used by most subsidiaries and joint ventures of the Company for the valuation of the pension plans and other plans is 7.0%.

note 13.

Commitments

Future minimum payments under operating leases for the next years are as follows:

Years ending December 31,	2001	20
	2002	18
	2003	15
	2004	11
	2005	9
	Thereafter	32

note 14.

Financial instruments

The Company and some of its subsidiaries utilize a variety of derivative financial instruments to limit their exposure to foreign currency fluctuations and changing interest rates but do not hold or issue such financial instruments for trading purposes.

CURRENCY RISKS

The Company is exposed to currency risks as a result of its export of goods produced in Canada, France, Germany, Sweden and England. These risks are partially covered by purchases, debt service and forward exchange contracts.

Some of the Company's Canadian subsidiaries and joint ventures entered into contracts to sell forward U.S. dollars in exchange for Canadian dollars. As at December 31, 2000, these subsidiaries and joint ventures held forward exchange contracts with a notional amount of $179,274,000 (1999 - $59,680,000) representing an unrealized loss of $782,000 (1999 - unrealized gain of $1,423,000).

The European subsidiaries entered into forward exchange contracts which mature in less than a year to hedge their currency risks resulting from sales and purchases in European currencies and in U.S. and Canadian dollars. As at December 31, 2000, these contracts had a net unrealized gain of $1,553,000 (1999 - unrealized loss of $109,000) on a notional amount of $40,042,000 (1999 - $30,384,000).

INTEREST RATE RISKS

As at December 31, 2000, approximately 55% (1999 - 52%) of the Company's long-term debt was at variable rates. Interest rate swaps have been contracted to fix interest on a notional principal amount of $50,200,000 (1999 $50,200,000) on a 6.57% weighted average rate. These instruments which represent a net unrealized loss of $340,000 as at December 31, 2000 (1999 - unrealized gain of $1,000,000) expire up to 2003.

CREDIT RISKS

There is no particular concentration of credit risks due to the North American and European distribution of customers and the procedures for the management of commercial risks. Derivative financial instruments include an element of credit risk should the counterparty be unable to meet its obligations. The Company reduces this risk by dealing with creditworthy financial institutions.

note 15.

Interests in joint ventures

The major components of interests in joint ventures in the consolidated financial statements are as follows:

	2000	1999
Consolidated balance sheets		
Current assets	183	152
Long-term assets	361	325
Current liabilities	83	83
Long-term debt	190	214
Consolidated statements of earnings		
Sales	632	623
Operating income	110	63
Financial expenses	20	23
Net earnings	60	31
Consolidated statements of cash flows		
Cash flow from operations	108	69
Net change in non-cash operating working capital balances	8	(7)
Investing activities	(58)	(22)
Financing activities	(39)	(26)

For the years ended December 31
(In millions of dollars, except per share amounts and ratios)

(unaudited)	2000	1999	1998
HIGHLIGHTS – CONSOLIDATED RESULTS			
Net Sales	2,866	2,615	2,527
Cost of sales and expenses	2,527	2,306	2,211
Earnings before interest, taxes, depreciation and amortization (EBITDA)	339	309	316
Depreciation	125	117	113
Operating income	214	192	203
Financial expenses	91	86	91
	123	106	112
Unusual items	(1)	(3)	(15)
	122	103	97
Provision for income taxes	49	42	44
	73	61	53
Share of results of significantly influenced companies	5	5	1
Non-controlling interests	(3)	(8)	(9)
Net earnings (loss)	75	58	45
Net earnings (loss) per common share	$1.12	$0.86	$0.67
HIGHLIGHTS – CONSOLIDATED CASH FLOW			
Cash flow from operations	214	192	185
per common share	$3.20	$2.87	$2.77
Capital expenditures	148	128	227
Business acquisitions	31	13	51
Business disposals	1	17	1
Net change in long-term debt	30	(40)	83
Dividends on common shares	7	7	7
per common shares	$0.11	$0.10	$0.10
Dividend yield	1.6%	1.1%	1.3%
HIGHLIGHTS – CONSOLIDATED BALANCE SHEET (as at December 31)			
Working capital	384	353	364
Capital assets	1,376	1,355	1,400
Total assets	2,637	2,436	2,485
Total long-term debt	1,096	1,044	1,158
Non-controlling interests	31	185	196
Shareholder's equity	776	649	618
per common share	$9.60	$9.70	$9.24
STOCK MARKET HIGHLIGHTS			
Shares issued and outstanding (in millions)	80.9	66.9	66.9
Trading volume (in millions)	13.9	8.9	13.1
Market capitalization	554	589	522
Closing price (as at December 31)	$6.85	$8.80	$7.80
High	$10.00	$10.25	$11.30
Low	$6.20	$7.50	$6.80
KEY FINANCIAL RATIOS			
Return on equity	11%	9%	8%
EBITDA / Net sales	12%	12%	13%
EBITDA / Financial expenses	3.7x	3.6x	3.4x
Net funded debt / EBITDA	3.5x	3.6x	3.7x
Net sales / Total assets	1.1x	1.1x	1.0x
Net funded debt / Total capitalization	53%	54%	56%
Price to earnings	6.1x	10.2x	11.6x
Price to book value	0.7x	0.9x	0.8x
Price to cash flow	2.1x	3.1x	2.8x

1997	1996	1995	1994	1993	1992 (not restated)	1991 (not restated)
2,109	2,012	2,184	1,643	1,590	857	751
1,860	1,726	1,879	1,469	1,452	784	651
249	286	305	174	138	73	100
94	86	78	66	76	38	32
155	200	227	108	62	35	68
60	67	71	62	81	37	33
95	133	156	46	(19)	(2)	35
4	32	21	10	(80)	28	(21)
99	165	177	56	(99)	26	14
32	57	38	18	17	2	11
67	108	139	38	(116)	24	3
1	(1)	–	–	–	1	1
(9)	(22)	(26)	(4)	57	3	(6)
59	85	113	34	(59)	28	(2)
$0.85	$1.37	$1.84	$0.45	$(1.21)	$0.49	$(0.03)
162	197	209	101	37	37	52
$2.45	$3.28	$3.45	$1.61	$0.54	$0.65	$1.01
153	118	114	73	62	76	75
99	–	31	6	12	242	–
–	84	–	13	212	–	–
188	(17)	(12)	(12)	(204)	(54)	18
6	6	–	–	–	–	–
$0.10	$0.10	–	–	–	–	–
1.0%	1.3%	–	–	–	–	–
339	218	206	141	242	137	103
1,314	1,114	1,145	944	888	1,057	499
2,323	1,874	1,930	1,629	1,453	1,713	931
1,076	690	716	561	515	676	356
208	178	192	137	119	191	49
563	591	525	418	460	430	281
$8.47	$8.26	$7.02	$5.13	$4.48	$5.70	$5.14
66.4	56.4	57,6	57.8	57.8	54.7	54.6
32.8	33.2	18.6	30.1	18.3	13.6	6.8
681	434	411	426	397	363	328
$10.25	$7.70	$7.13	$7.37	$6.87	$6.63	$6.00
$11.50	$8.20	$8.12	$8.87	$7.25	$8.63	$6.50
$6.45	$5.50	$6.50	$6.37	$5.00	$5.13	$3.75
10%	15%	24%	9%	(15)%	8%	(1)%
12%	14%	14%	11%	9%	9%	13%
4.2x	4.3x	4.3x	2.8x	1.7x	2.0x	3.0x
4.3x	2.4x	2.6x	3.5x	3.8x	10.2x	3.5x
0.8x	1.1x	1.1x	1.0x	1.1x	0.9x	0.8x
54%	43%	49%	46%	43%	51%	45%
12.1x	5.6x	3.9x	16.4x	n/a	13.5x	n/a
1.2x	0.9x	1.0x	1.4x	1.5x	1.2x	1.2x
4.2x	2.3x	2.1x	4.6x	12.7x	10.2x	5.9x

BOARD OF DIRECTORS

Bernard Lemaire [1]
Chairman of the Board of Cascades Inc.
Chairman of the Board and Chief Executive Officer of Boralex Inc.

Laurent Lemaire [1]
President and Chief Executive Officer of Cascades Inc.

Alain Lemaire [1]
Executive Vice-President of Cascades Inc.
President and Chief Executive Officer of Norampac Inc.

André Belzile [1]
Vice-President and Chief Financial Officer of Cascades Inc.

Norman Boisvert [2] [3]
Vice-President, Administration of Cascades Inc.

Martin P. Pelletier [4]
President and Chief Executive Officer of Rolland Inc.

Élise Pelletier [3]
Vice-President, Management and Human Resources of Norampac Inc.

Paul R. Bannerman
Chairman of the Board of Etcan International Inc.

Jacques Aubert [4]
Chairman of the Board and Chief Executive Officer of Junex Inc.

Simon L'Heureux [2] [3]
Director of companies

André Desaulniers [2]
Director of companies

Paul Pelletier [4]
Consultant

Louis Garneau [3]
President of Louis Garneau Sports Inc.

Sylvie Lemaire
President of Fempro Inc.

[1] Member of the Executive Committee
[2] Member of the Audit Committee
[3] Member of the Remuneration Committee
[4] Member of the Environmental Committee

OFFICERS

Bernard Lemaire
Chairman of the Board

Laurent Lemaire
President and Chief Executive Officer

Alain Lemaire
Executive Vice-President

Robert F. Hall
Vice-President Legal Affairs and Corporate Secretary

André Belzile
Vice-President and Chief Financial Officer

Norman Boisvert
Vice-President, Administration

Claude Cossette
Vice-President, Human Resources

Mario Plourde
President and Chief Operating Officer, Specialty Products

Alain Ducharme
Corporate Vice-President

Jean-Luc Bellemare
Vice-President, Information Technologies

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GENERAL INFORMATION

The Annual General Meeting of Shareholders will be held on April 30, 2001 at 2:00 p.m. at the Omni Hotel, Rooms Seasons A & B
1050 Sherbrooke Street West
Montréal, Québec

The 2000 Annual Information Form of Cascades Inc. will be available upon request from the Company's head office as of May 18, 2001.

This annual report is available in both French and English.

On peut se procurer la version française du présent rapport en s'adressant au : Secrétaire corporatif, Cascades inc., 404, boulevard Marie-Victorin, C.P. 30 Kingsey Falls, Québec, Canada J0A 1B0

Tranfer agent and registrar
Montreal Trust Company

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For more information, please contact:

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Social Report

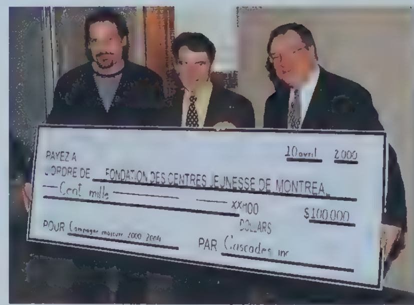
Respect and Commitment/

are the central values of the Cascades culture and philosophy. We show respect and we are committed to promoting personal development and quality of life, not just for the 12,396 employees who contribute to the Company's success each day, but also for the communities surrounding our 142 business units. Inside, this commitment takes many forms: thousands of hours of training offered each year throughout the Group, our profit-sharing program – Cascades was among the first Canadian manufacturers to implement such a program – and a day-to-day emphasis placed on health, safety and physical fitness of our employees. Outside, Cascades takes its role as corporate citizen very seriously, supporting hundreds of social and charitable causes every year. In the past five years, while senior management has been actively involved in many causes, Cascades has also, either directly or in the form of sponsorships, donated over $3 million to nearly 1,000 community and social groups and organizations working in the fields of health, education, culture, the environment and sports.

Patrick Ravary, Sales Representative, Norampac Inc.

How has Cascades managed to grow without ever losing its fundamental quality of being a company with a human face? Simple: by remaining true to its original values and by keeping its doors wide open, both inside the organization and out to the world.

Come on in!



Community Action/

Among its principal areas of involvement, Cascades has always been committed to supporting the human, economic and cultural development of the municipalities and regions where its plants are located. The Company provides financial support to a constellation of organizations and committees working to improve the economic health and physical environment of their regions, as well as the quality of life of its fellow-citizens. For several years now, for instance, Cascades has taken a particular interest in causes related to youth development and youth suicide prevention.

Sports/

In the past five years, Cascades has provided over half a million dollars in sponsorships and excellence awards to various sports organizations and events at the regional, national and international levels. More particularly, the Company is a major sponsor of the Cascades Drummondville Triathlon, in which employees from about forty Cascades plants — including Laurent Lemaire himself — take part.

Education/

In this area as well, Cascades' involvement takes several forms: training of the Company's own employees, in which it invests between 2% and 3% of its total payroll every year, direct financial assistance to a number of universities, Cegeps, high schools and student foundations and finally, ongoing research and specialized or college training programs in association with certain educational institutions. In this regard, one of the Company's most original initiatives has been its partnership with the University of Sherbrooke in setting up a Master of Business Administration (M.B.A.) program developed specifically to meet the needs of Cascades. This year, a first group of eleven has enriched the pool of Cascades' future managers by successfully completing this graduate-level program, while a second group of 15 employees has begun the program.

Health/

The health of employees and the population in general is of major concern to Cascades. Not only does the Company have strict policies with regards to workplace quality and cleanliness, but it offers employees ways of improving their physical fitness by providing exercise areas and organizing a number of sports events. As well, a significant proportion of Cascades' annual donations go to some thirty hospitals, medical research institutes and foundations including the Canadian Cancer Society, the Red Cross, Leucan, the Alzheimer Society, the Cystic Fibrosis Foundation as well as foundations dedicated to the treatment of heart disease and multiple sclerosis, just to name a few.

Marie-Josée Arseneault, Human Re[illegible]
Perkins Papers Ltd., Kingsey Fall[illegible]

Workforce/ In the past year, the Company has hired 1,647 new employees worldwide, including more than 1,300 new graduates and trainees. This is one of the many ways in which Cascades is paving the way for the future today by preparing its workforce for the years to come.

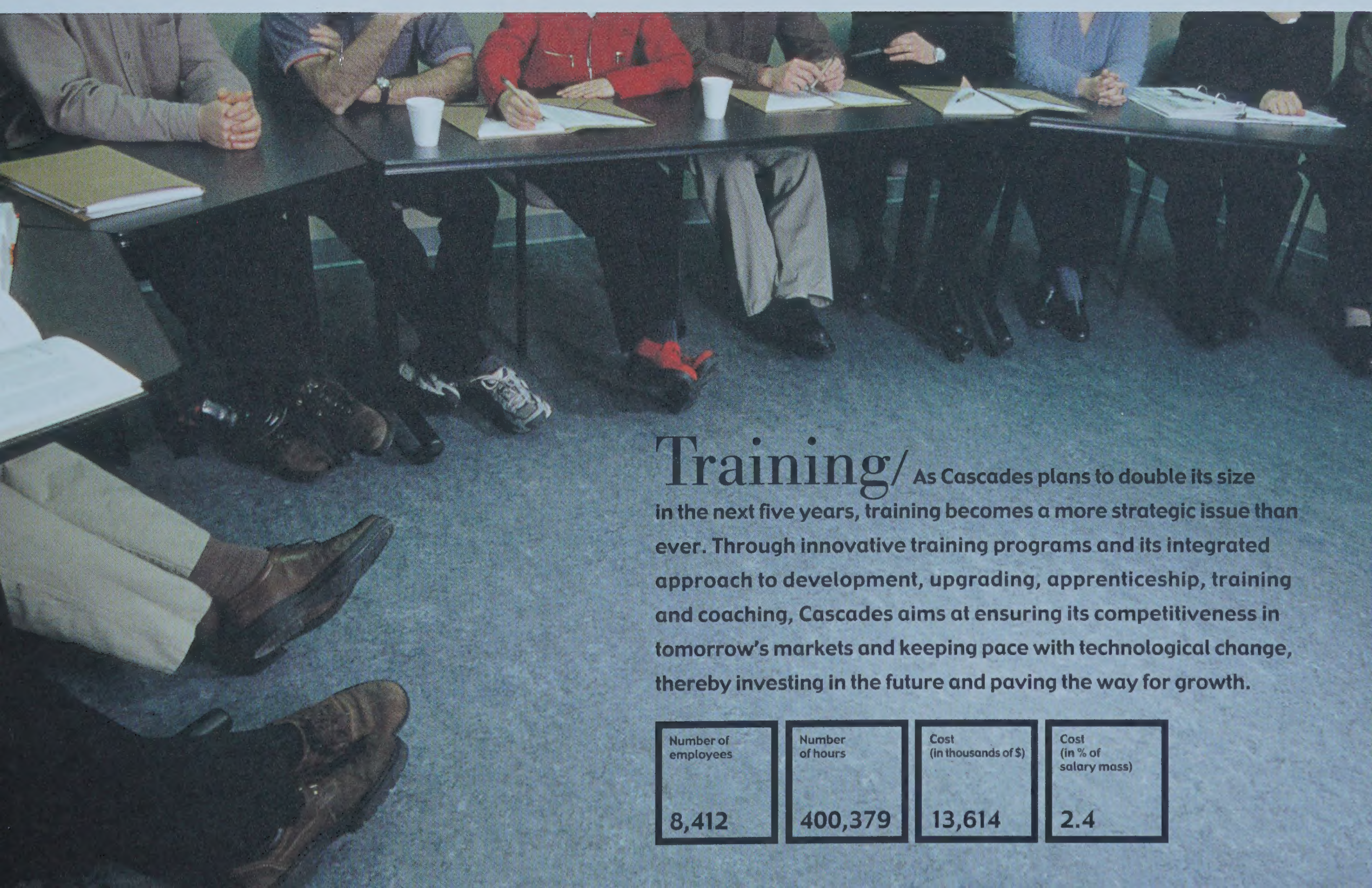
New staff hired	Departures	Students hired	Trainees	Inter-company transfers	Number of employees
1,647	1,372	1,038	272	216	12,396

Health and Safety/ Because respect for the individual is a core value of Cascades, management has set specific goals in the area of occupational health and safety, backed by a comprehensive action plan. The corporate action plan accommodates and applies to every unit of the Cascades Group. This overall approach includes replacing systems and processes and developing new training programs and control procedures, all within the context of integrated management approach of occupational health and safety.

Hours worked (in thousands)	Number of accidents Lost-time	Number of accidents Modified work	Number of hours Lost-time	Number of hours Modified work
23,261	776	490	113,788	107,115

Remuneration/ In 2000, the total remuneration paid within the Cascades Group amounted to $772 million, of which about $47 million were distributed to employees in recognition of their fundamental contribution to the excellent financial results of the past year. Because of the feelings of motivation, belonging and pride it promotes among employees, Cascades' profit-sharing program has proven to be a truly driving force in the growth of the Company over the years.

Absenteeism rate (%)	Gross salaries (in thousands of $)	Fringe benefits (in thousands of $)	Profit-sharing (in thousands of $)	Total remuneration (in thousands of $)
4.2	522,305	202,659	46,901	771,865



Training/ As Cascades plans to double its size in the next five years, training becomes a more strategic issue than ever. Through innovative training programs and its integrated approach to development, upgrading, apprenticeship, training and coaching, Cascades aims at ensuring its competitiveness in tomorrow's markets and keeping pace with technological change, thereby investing in the future and paving the way for growth.

Number of employees	Number of hours	Cost (in thousands of $)	Cost (in % of salary mass)
8,412	400,379	13,614	2.4

Arts and Culture/

A number of arts and cultural organizations - museums, theatres, symphony orchestras – also benefit from Cascades' financial support. For instance, the Company and its President, Mr. Laurent Lemaire, are among the patrons of the Théâtre du Nouveau Monde in Montréal. Last year, three companies from the Cascades Group - Boralex, Norampac and Rolland – showed their commitment to both supporting culture and protecting the environment through their involvement with Alain Hébert's book "NORDITUDE ou L'APPEL DES GRANDS JARDINS" for the benefit of Parc des Grands-Jardins, part of the Charlevoix Biosphere Reserve which has been recognized by Unesco since 1988. Beautifully illustrated by Québec painters, this work is a tribute to the richness of our environment and has been designed entirely with products made by the Cascades Group.

Environment/

Because protecting the environment is an integral part of Cascades' mission, the Company not only has one of the pulp and paper industry's most comprehensive, stringent and innovative environmental management programs, but it also supports a variety of organizations devoted to the protection of forests, rivers and wildlife.

The winning company in the twenty-first century is one that, as of right now, can count on competent, productive, versatile, motivated workers who are open to change. Beyond any doubt, Cascades has that invaluable asset, which rests in the hands of more than 12,300 devoted men and women working in seven countries on two continents. Knowing that these are the people who are both responsible for the Company's present success and the key to its future success, Cascades will continue to set itself apart through innovative human resources management, with constant concern for respect, equity, continuing training and accountability.

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Goodbye
Cascades

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